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INCOME OF FARM OPERATOR FAMILIES
BY VALUE OF SALES CLASS

Distributions of the number of farms and realized gross and net income of farm operators from farming according to value of sales classes for the years 1959-63 are shown for the first time in tables 1D through 4D on pages 22-25 in this issue. Also shown for the first time (table 5D), by value of sales classes, are average per farm operator family of realized net income, income from off-farm sources and the total income from both sources combined. The estimates of income of farm operators from farming operations by value of sales classes are consistent with, and are breakdowns of, the farm income estimates regularly published in the July issue of the Farm Income Situation. Income from "off-farm" sources includes all income received by farm operators and family members from sources other than the farm operated.

Because of the great changes that have occurred in the overall structure of agriculture during the period since World War II, a growing need has arisen for data which throw light on the changing size and income structure in agriculture. The sharp rise in productivity in agriculture since World War II has been accompanied by a substantial drop in the total number of farms from almost 6 million in 1945 to 3.6 million in 1963. During the same period farm operators' realized net income per farm for all farms combined rose more than 60 percent.

The estimates reveal several aspects of the farm income situation that are not apparent from the aggregates and averages for all farms combined. Tables 1D, 2D, and 4D show that relatively few farms in the higher value of sales classes account for the bulk of cash receipts from farm marketings and realized net income. In 1963, for example, an estimated 1,587 thousand farms with sales of \$5,000 or more accounted for \$35.0 billion in cash receipts out of a total \$38.6 billion for all farms combined. In relative terms, this group, comprising 44 percent of all farms, accounted for 91 percent of cash receipts in 1963. Moreover, this same group of farms accounted for 79 percent of total realized net income in that year. Table 1D also shows that the relative number of farms with sales of \$5,000 and over has been rising since 1959, with most of the increase occurring in the \$10,000 to \$19,999 sales category.

The per farm averages of cash receipts, realized gross income, and realized net income indicate the substantial differences in per farm incomes among the different sales groups (table 3D). In 1963, realized net income for the \$20,000 and over sales group averaged \$10,180 per farm. This was more than $1\frac{1}{2}$ times that of the next lower sales group and almost 3 times that of all farms combined.

From 1959 to 1963, average realized net income per farm for all classes combined rose 27 percent. This compares with increases of 15 percent for farms with sales of \$20,000 and over; 11 percent for all farms with sales between \$10,000 to \$19,999 and between \$5,000 and \$9,999; 10 percent for farms with sales between \$2,500 and \$4,999; and 7 percent for farms with sales

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of less than \$2,500. The percentage change for all farms combined is thus seen to be greater than that for each of the classes.

Underlying this apparent paradox are two major factors influencing the average for all farms combined; (1) the movement of farms from the lower to the top sales classes; and (2) the disappearance of farms in the lower sales classes either as a result of the complete cessation of farming activity or consolidation with other farms.

Thus, while the figures show that the realized net incomes per farm have improved for each of the classes since 1959, the heavier weight of the top sales classes in the overall average, resulting from the movement of farms into these classes, produced a relative change for all farms greater than those for each of the classes. The extent of the shift into the top sales class is shown in table 1D where the proportion of farms with sales of \$10,000 and over is seen to have increased 36 percent, from 20.2 percent of all farms in 1959 to 27.4 percent in 1963.

A word of caution is also in order against the possible misinterpretation of the relative changes shown by the averages for each of the classes. For each year and for each class, the averages reflect the income experience of farmers remaining in a class and the net income result of farms shifting from one class to another. Therefore, during periods of generally rising incomes the increases registered by a specific class may understate the increases for any given group of farmers who were originally in that class.

Estimates of the total income position--off-farm income as well as farm income--of farm families in the various sales groups shown in table 5D reveal several significant aspects of the total income structure within agriculture. First, the average total income of \$12,357 in 1963 for farm families in the \$20,000 and over sales group compares rather favorably with average income of nonfarm families. By far the largest share of the total income of such families is earned from farming. Their income from off-farm sources accounts, on the average, for less than \$2 for every \$10 of total income in 1963.

Second, as the scale of farming operations declines from the \$20,000 and over level, the relative dependence upon off-farm sources of income increases. For example, in the second highest sales group, farm operator families derive \$2 of every \$10 of total income from off-farm sources; in the \$5,000 to \$9,999 sales group, over \$3 of every \$10 is from off-farm sources; in the \$2,500 to \$4,999 almost \$5 out of every \$10 is from off-farm sources; and, finally, in the less than \$2,500 group, a high of \$7.50 out of every \$10 of total income is from off-farm sources.

Many farm-operator families in the less than \$2,500 sales group consist of families whose heads are primarily occupied in nonfarm pursuits or are semi-retired. The number of such families is relatively large and constitutes a rather stable proportion of the total number of farm-operator families. Also within the \$2,500 and under sales group, however, are farm families which rely primarily on income from farming for their livelihood. Average total income of such families in 1963 was \$1,916, by far the lowest of all groups.

The number of such farms has been declining rapidly, falling by about 50 percent between 1959 and 1963.

In summary, it appears that the restructuring of agriculture toward more of the larger units and the disappearance of smaller units continued during 1959-63. In 1963, about 1.6 million farm families with sales over \$5,000, comprising 44 percent of all farm families, accounted for 91 percent of cash receipts from marketings and 79 percent of realized net income. These families, because they produce most of the products sold, receive most of the benefits of farm programs which help to maintain their incomes. On the average, such families derive more than three-fourths of their income from farming.

Low production farms, or farms with sales of less than \$5,000, on the other hand, comprised 56 percent of all farms and accounted for only 9 percent of cash receipts and 21 percent of realized net income. The families associated with these farms depend to a large and increasing extent on income from off-farm sources.

COMPARABILITY OF ESTIMATES WITH OTHER DATA, DEFINITION, COVERAGE AND EXPLANATION OF SOURCES AND METHODS

The data on the average combined income from farming operations and off-farm sources shown in table 5D are not directly comparable with the Current Population Survey data on money income of farm families published by the Bureau of the Census nor with the distributions of personal income of farm families by personal income classes published by the Office of Business Economics (OBE) of the U. S. Department of Commerce. The lack of comparability results from the following major differences in definition, coverage, and sources:

Income Definition

The OBE personal income series includes the value of services of banks and other financial intermediaries rendered to farm operator families without charge and the value of change in farm inventories. The total income shown in table 5D, on the other hand, includes employee contributions for social insurance, which are not included in the personal income series. The Census Bureau definition of income excludes non-money income such as wages received in kind, the value of fuel and food produced on farms and the net rental value of owner occupied farm dwellings. All of these items are included in the total income shown in table 5D.

Coverage

The Bureau of the Census series refers to members of the farm population only. The series in this report and the personal income series of the OBE, on the other hand, refer to all farm operator families regardless of whether they live on a farm, in town, or in the city.

Source of Data

The income data presented in the Census reports are based directly on annual field surveys of households. The OBE's estimated distributions of personal income are based on data from Federal individual tax returns supplemented by surveys of family income and adjusted to U. S. Department of Commerce national control totals of personal income. Total income shown in table 5D consists of (1) distributions of the U. S. control totals of the regularly published series on income of farm operators from farming operations for each year. And (2) estimated off-farm income obtained for the benchmark year, 1960 from the 1960 Sample Survey of Agriculture, adjusted to exclude items already included in income from farm operations such as share rent, and extrapolated to other years on the basis of year-to-year changes in selected component series of the U. S. Department of Commerce estimates of personal income.

The estimated distributions by value of sales classes were developed by utilizing data from several sources. These included: (1) the 1949, 1954, and 1959 Censuses of Agriculture, which contained data showing trends in numbers of farms by value of sales classes; (2) the 1960 Sample Survey of Agriculture, containing distributions of sales and cash operating expenses by value of sales classes; (3) the 1955 Survey of Farmers' Expenditures, on which estimates of the rental value of farm dwellings by value of sales classes were based; and (4) earlier studies upon which distributions of value of home consumption were based. Data obtained from a single source and made available on a regular annual basis would provide more accurate and more soundly based estimates by value of sales classes. However, in the absence of such a source and in view of the growing interest in income estimates by value of sales classes, these estimates were developed in the belief that reasonable approximations made from existing data sources would throw needed light on the question of the changing size and income structure in agriculture.

In general, the procedures employed for deriving the distributions of realized net income consisted of 4 main steps. First, year-to-year changes from 1959 in the number of farms were extrapolated on the basis of past trends for the various sales classes, as shown by the Censuses of Agriculture. These were adjusted for underenumeration to the levels of the control totals, as estimated by the U. S. Department of Agriculture.

Second, per farm averages of cash receipts, non-money income, and production expenses for the benchmark year, 1960, were computed.

Third, the per farm averages for each of these items were multiplied by the extrapolated estimates of the number of farms for the years 1959, and 1961-63, yielding first approximations of the totals for each value of sales class.

And, finally, the first approximations for each sales class were adjusted to the control totals of cash receipts, realized gross income, production expenses, and realized net income regularly estimated by the U. S. Department of Agriculture.

Estimated distributions of off-farm income were similarly derived on the basis of year-to-year changes in selected components of off-farm income for the whole population contained in the estimates of personal income developed by the U. S. Department of Commerce.

Table 2D.--Income and production expenses of farm operators from farming,
by value of sales classes, 1959-63 1/

Year	Farms with sales													All farms
	\$20,000 and over	Mil. dol.	\$10,000 to \$19,999	Mil. dol.	\$5,000 to \$9,999	Mil. dol.	\$2,500 to \$4,999	Mil. dol.	Less than \$2,500				Mil. dol.	
									Total	Part-time	Part-retirement	Other		
Cash receipts from farm marketings														
1959	16,940		7,338		5,270		2,475		2,171		959		606	34,194
1960	17,690		7,644		5,068		2,285		2,018		920		581	34,705
1961	18,962		8,245		5,066		2,182		1,952		913		576	36,407
1962	20,173		8,736		5,010		2,031		1,863		900		571	37,813
1963	21,030		9,113		4,871		1,842		1,755		877		563	38,611
Realized gross farm income														
1959	17,365		7,833		5,830		2,942		3,509		1,671		972	37,479
1960	18,140		8,169		5,612		2,722		3,291		1,614		936	37,934
1961	19,438		8,797		5,595		2,587		3,169		1,589		922	39,586
1962	20,676		9,316		5,524		2,403		3,032		1,563		914	40,951
1963	21,563		9,727		5,378		2,181		2,888		1,536		906	41,737
Production expenses														
1959	14,485		5,027		3,491		1,547		1,650		808		508	26,200
1960	14,996		5,116		3,263		1,377		1,490		749		472	26,242
1961	15,719		5,398		3,190		1,286		1,420		727		457	27,013
1962	16,826		5,755		3,174		1,205		1,380		722		457	28,340
1963	17,654		6,040		3,106		1,099		1,320		706		452	29,219
Realized net income														
1959	2,880		2,806		2,339		1,395		1,859		863		464	11,279
1960	3,144		3,053		2,349		1,345		1,801		865		464	11,692
1961	3,719		3,399		2,405		1,301		1,749		862		465	12,573
1962	3,850		3,561		2,350		1,198		1,652		841		457	12,611
1963	3,909		3,687		2,272		1,082		1,568		830		454	12,518

1/ All figures include government payments.

Table 3D.--Income and production expenses per farm of farm operators
from farming by value of sales classes, 1959-63 1/

Year	Farms with sales										All farms
	\$20,000 and over	\$10,000 to \$19,999	\$5,000 to \$9,999	\$2,500 to \$4,999	Less than \$2,500				Part-time retirement	Other	
					Total	Part-time	Part-time	Part-time			
	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	Dollars	
					<u>Cash receipts from farm marketings</u>						

1/ All figures include government payments.

Table 4D.--Percentage distribution: Income and production expenses of farm operators from farming, by value of sales classes, 1959-63

Year	Farms with sales									
	Less than \$2,500					All farms				
	\$20,000 and over		\$10,000 to \$19,999		\$5,000 to \$4,999		Total		Part-time retirement	
	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.	Pct.
1959	49.6	21.4	15.4	7.2	6.4	2.8	1.8	1.8	1.8	100.0
1960	50.9	22.0	14.6	6.6	5.9	2.7	1.7	1.7	1.5	100.0
1961	52.1	22.6	13.9	6.0	5.4	2.5	1.6	1.6	1.3	100.0
1962	53.4	23.1	13.2	5.4	4.9	2.4	1.5	1.5	1.0	100.0
1963	54.5	23.6	12.6	4.8	4.5	2.3	1.4	1.4	0.8	100.0
Cash receipts from farm marketings										
1959	55.3	19.2	13.3	5.9	6.3	3.1	1.9	1.9	1.3	100.0
1960	57.1	19.5	12.4	5.3	5.7	2.9	1.8	1.8	1.0	100.0
1961	58.2	20.0	11.8	4.7	5.3	2.7	1.7	1.7	0.9	100.0
1962	59.4	20.3	11.2	4.3	4.8	2.5	1.6	1.6	0.7	100.0
1963	60.5	20.7	10.6	3.8	4.4	2.4	1.5	1.5	0.5	100.0
Production expenses										
1959	25.5	24.9	20.7	12.4	16.5	7.7	4.1	4.1	4.7	100.0
1960	26.9	26.1	20.1	11.5	15.4	7.4	4.0	4.0	4.0	100.0
1961	29.5	27.0	19.1	10.4	14.0	6.9	3.7	3.7	3.4	100.0
1962	30.5	28.3	18.6	9.5	13.1	6.7	3.6	3.6	2.8	100.0
1963	31.2	29.5	18.2	8.6	12.5	6.6	3.6	3.6	2.3	100.0
Realized net income										
1959	25.5	24.9	20.7	12.4	16.5	7.7	4.1	4.1	4.7	100.0
1960	26.9	26.1	20.1	11.5	15.4	7.4	4.0	4.0	4.0	100.0
1961	29.5	27.0	19.1	10.4	14.0	6.9	3.7	3.7	3.4	100.0
1962	30.5	28.3	18.6	9.5	13.1	6.7	3.6	3.6	2.8	100.0
1963	31.2	29.5	18.2	8.6	12.5	6.6	3.6	3.6	2.3	100.0

Table 5D.--Income per farm operator family by major source and by value of sales classes, 1959-63

Sales classes and year	Realized net income 1/	Off-farm income	Total income including non-money income from farm food and housing 1/
	Dollars	Dollars	Dollars
Farms with sales:			
All farms			
1959	2,753	2,073	4,826
1960	2,961	2,231	5,192
1961	3,299	2,294	5,593
1962	3,420	2,349	5,769
1963	3,504	2,431	5,935
\$20,000 and over			
1959	8,862	1,920	10,782
1960	9,219	2,076	11,295
1961	10,506	2,116	12,622
1962	10,405	2,132	12,537
1963	10,180	2,177	12,357
\$10,000 to \$19,999			
1959	5,579	1,326	6,905
1960	5,804	1,418	7,222
1961	6,192	1,448	7,640
1962	6,236	1,475	7,711
1963	6,207	1,512	7,719
\$5,000 to \$9,999			
1959	3,375	1,547	4,922
1960	3,512	1,656	5,168
1961	3,718	1,697	5,415
1962	3,742	1,731	5,473
1963	3,731	1,778	5,509
\$2,500 to \$4,999			
1959	2,133	1,807	3,940
1960	2,220	1,931	4,151
1961	2,324	1,982	4,306
1962	2,339	2,020	4,359
1963	2,337	2,080	4,417

Continued -

Table 5D.--Income per farm operator family by major source and by value of sales classes, 1959-63 (Continued)

Sales classes and year	Realized		Total income
	net	Off-farm	including
	income	income	non-money
	<u>1/</u>		income from
			farm food and
			housing <u>1/</u>
	<u>Dollars</u>	<u>Dollars</u>	<u>Dollars</u>
Farms with sales:			
Less than \$2,500			
1959	968	2,574	3,542
1960	996	2,810	3,806
1961	1,028	2,934	3,962
1962	1,028	3,057	4,085
1963	1,029	3,222	4,251
Part-time			
1959	832	3,900	4,732
1960	865	4,137	5,002
1961	898	4,224	5,122
1962	905	4,315	5,220
1963	919	4,450	5,369
Part-retirement			
1959	979	1,523	2,502
1960	1,018	1,695	2,713
1961	1,064	1,805	2,869
1962	1,073	1,831	2,904
1963	1,086	1,880	2,966
Other			
1959	1,297	434	1,731
1960	1,345	479	1,824
1961	1,388	484	1,872
1962	1,404	488	1,892
1963	1,406	510	1,916

1/ Includes government payments.

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